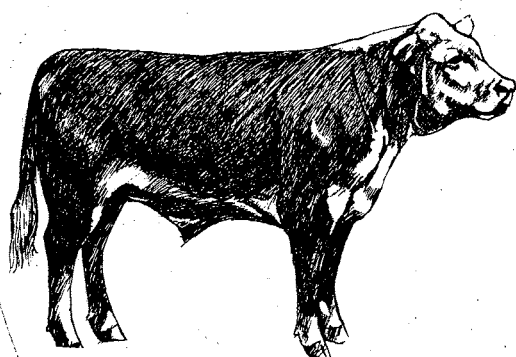


SEPTEMBER, 1980

ESO - 746



BEEF CATTLE PROSPECTS FOR 1980-81:

FEED, FEEDERS AND FED CATTLE

BY

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TODAY'S CATTLE SITUATION

CONSUMERS

BEEF PRICES

HAMBURGER PRICES

SQUEEZE ON BUDGETS

PRODUCERS

CATTLE NUMBERS DOWN

SURGE IN PORK - POULTRY

DROUTH & OTHER FACTORS

INTEREST COSTS

FEED COSTS

FORCED SELLING

MEAT PACKERS HURT TOO

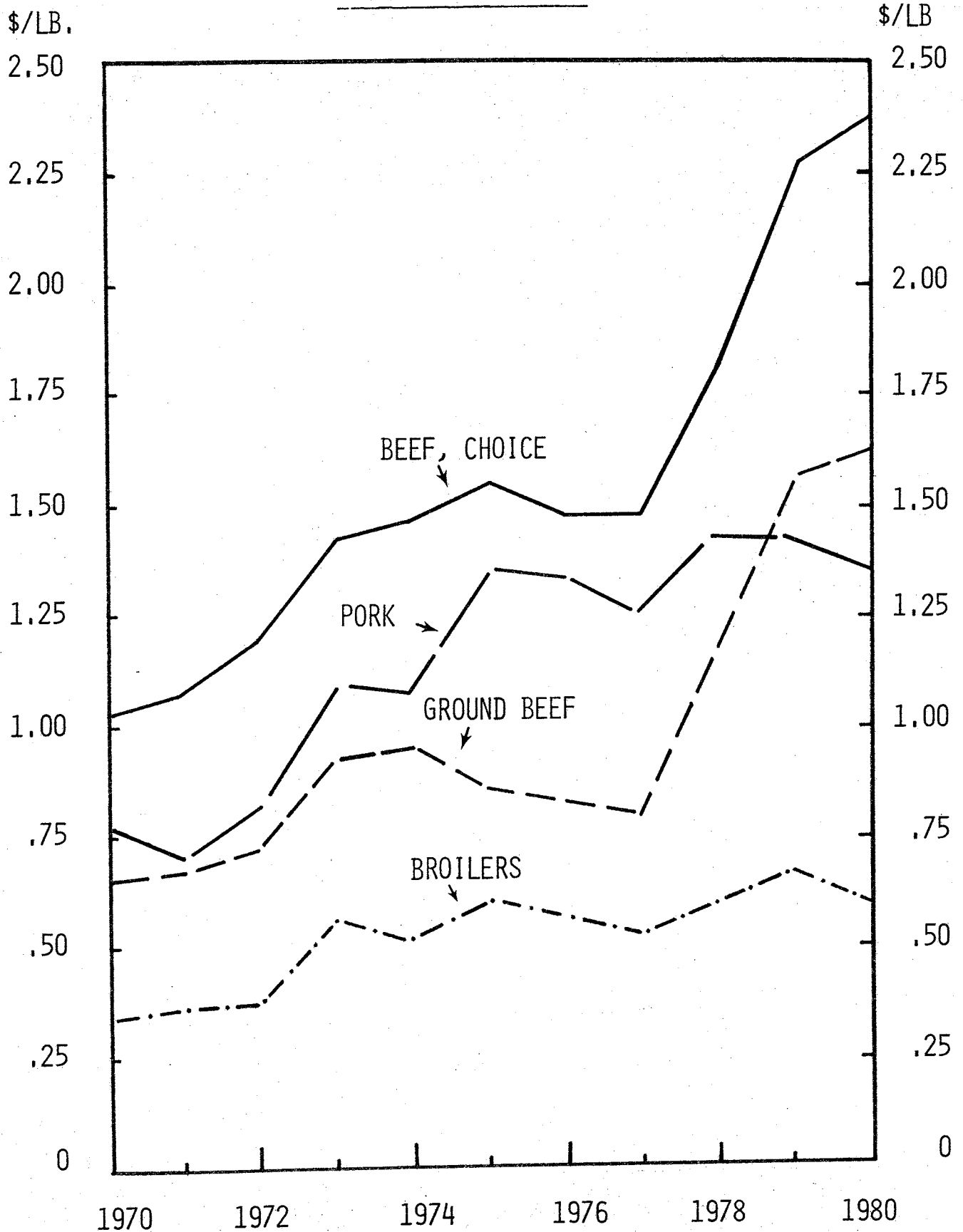
15% UNDER CAPACITY

WHAT'S HAPPENING TO MEAT USE?

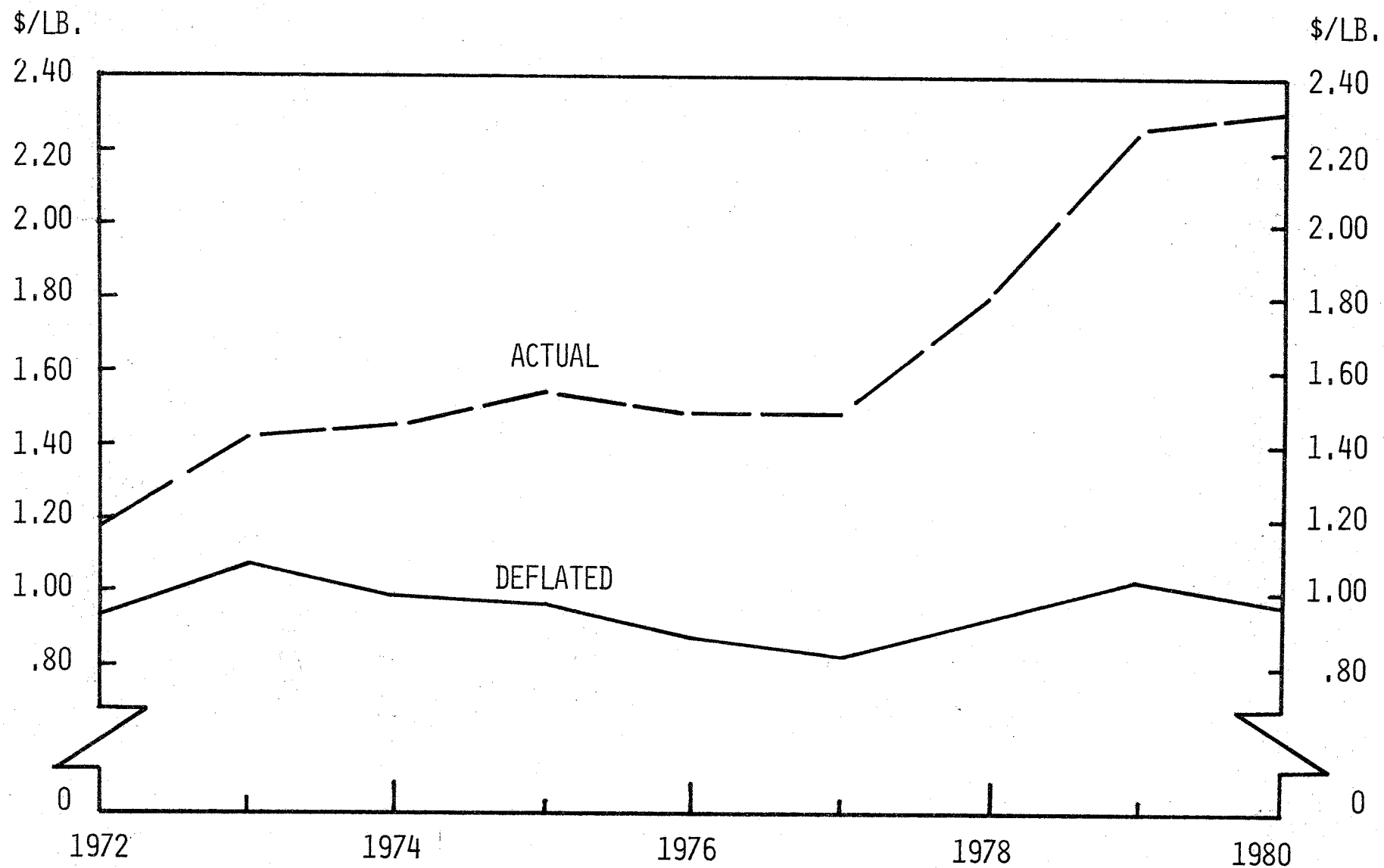
RETAIL WT.: LBS/PERSON/YEAR

	<u>BEEF</u>	<u>PORK</u>	<u>POULTRY</u>
1960	64	60	34
1970	84	62	49
1972	86	63	49
1974	86	62	50
1976	96	55	53
1977	93	57	54
1978	89	57	57
1979	80	65	62
1980	77-79	70-72	64
1981	78-82	63-66	65

RETAIL MEAT PRICES



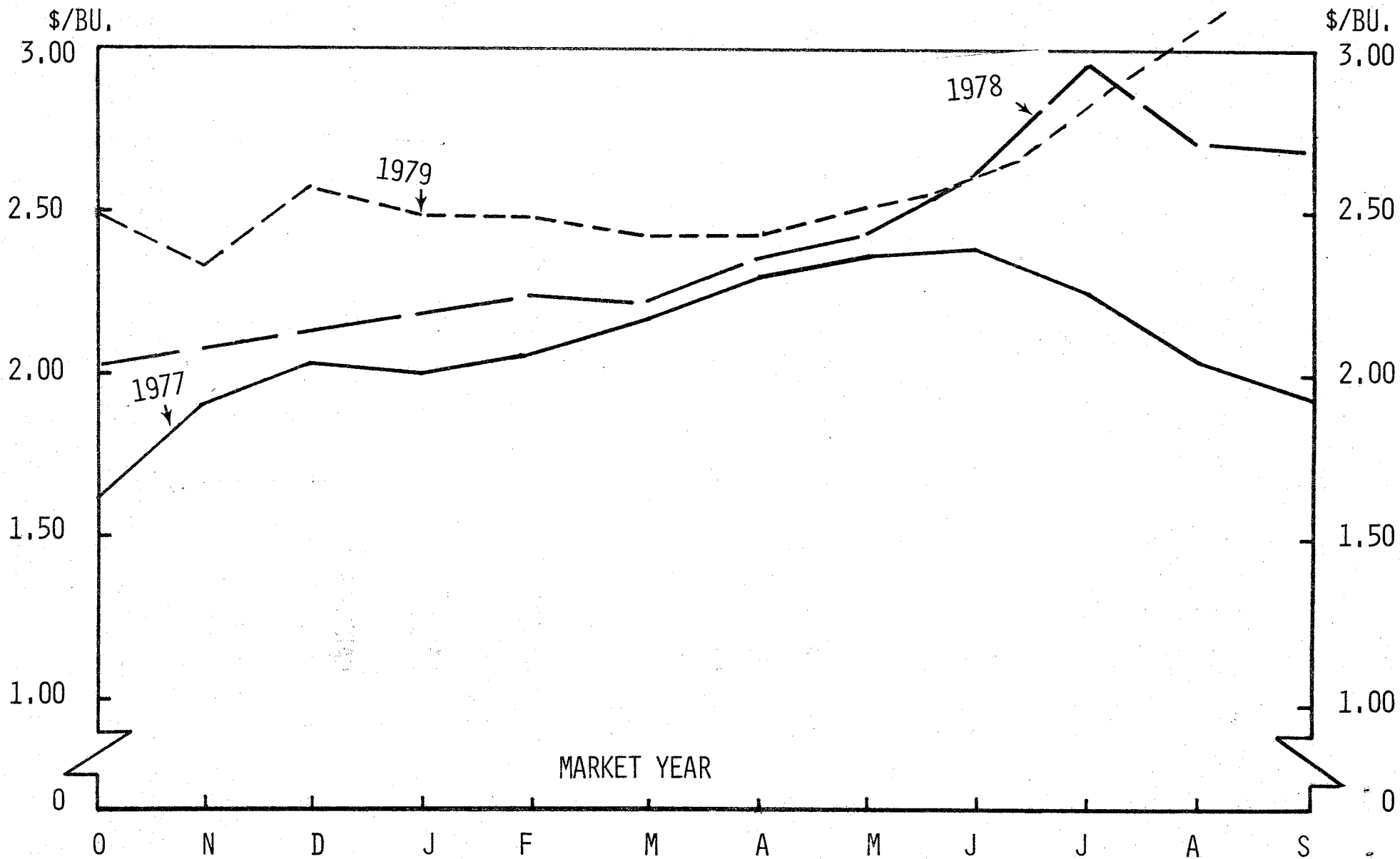
RETAIL BEEF PRICES: ACTUAL AND DEFLATED



CORN PROSPECTS FOR 1980/81

	<u>AMT.</u> (BIL. BU)	<u>PERCENT</u> 1980/1979
CROP (AUG.)	6.65	-14%
SUPPLIES	8.3	-8
USE		
DOMESTIC	4.7 TO 4.9	-2 TO -6
EXPORTS	2.4 TO 2.6	0 TO +8
CARRYOVER '81	1.2 TO 0.8	-22 TO -60
OHIO AVE. PRICE		
1979 CROP		\$2.54
WE SAID		\$2.40 TO \$2.60
1980 CROP		\$2.90 TO \$3.10

CORN: OHIO AVERAGE MONTHLY PRICE



SOYBEAN PROSPECTS FOR 1980-81

	<u>AMT.</u>	<u>PERCENT</u>
	(MIL. BU.)	(1980/1979)
CROP (AUG.)	1,880	-18%
SUPPLIES	2,270	-8
USE		
DOMESTIC	1,150 TO 1,200	-2 TO -6
EXPORT	825 TO 875	-3 TO +3
CARRYOVER	292 TO 192	-25 TO -50

1980 SOYBEANS (CONT.)

PRICES (DECATUR)

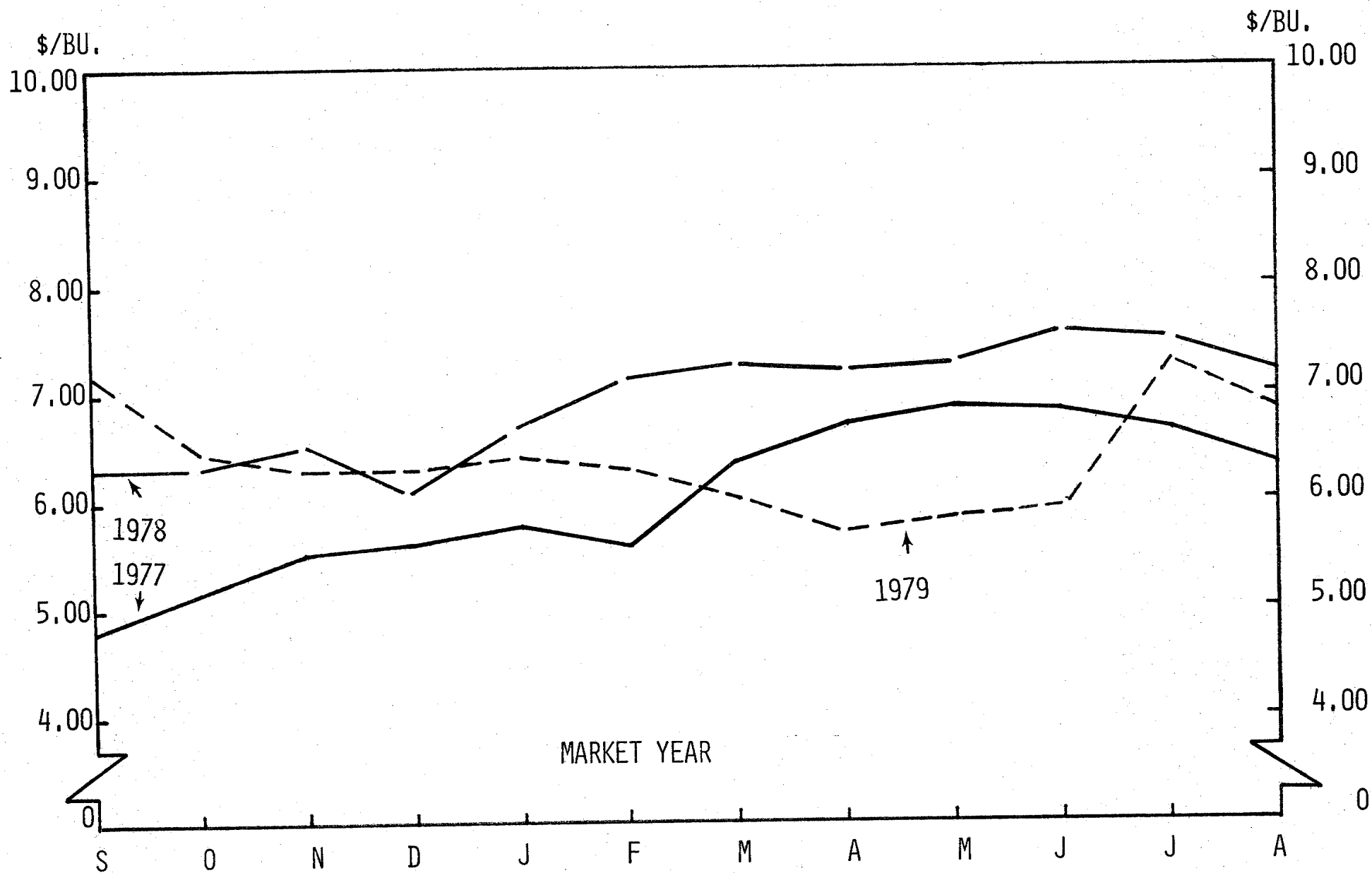
	<u>PER BU</u>	<u>PRICE</u>	<u>VALUE</u>
OIL, LB	11#	25 to 30¢	\$2.75 - \$3.30
MEAL, TON	47#	\$200 to \$240	\$4.70 - \$5.64
		TOTAL	\$7.45 - \$8.94

MINUS CRUSHING MARGINS

PRICE, AVE. OHIO FARM

1979 CROP	\$6.31
WE SAID	\$6.00 - \$6.50
1980 CROP	\$7.25 to \$7.75

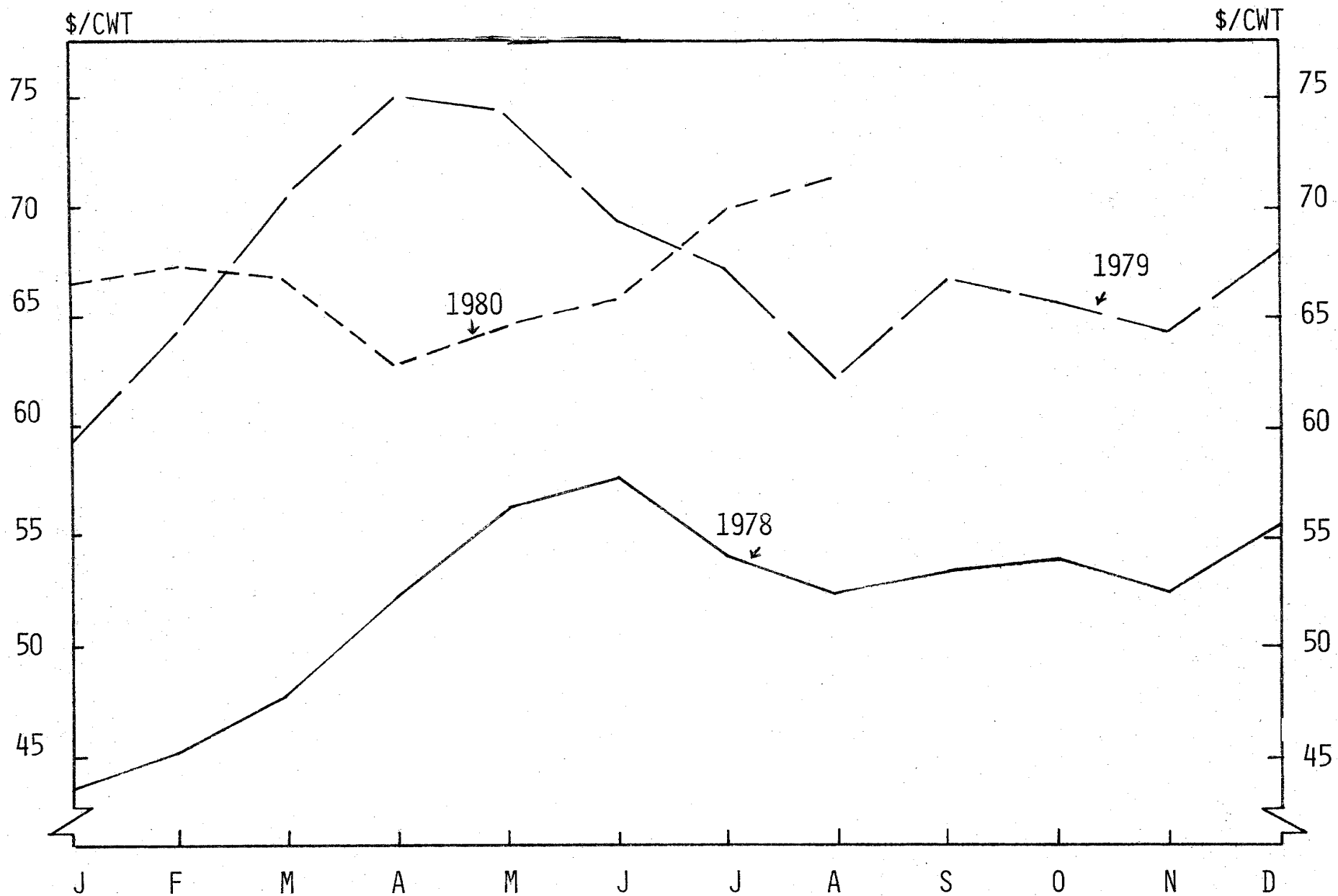
SOYBEANS: OHIO AVERAGE MONTHLY PRICE



WHERE HAVE WE BEEN
(FIRST HALF OF 1980)

	<u>1980/1979</u>
SLAUGHTER, NO.	-4%
FEDS	-9
NONFEDS, ALL	+14
COW	-4
STEER & HEIFER	+145
WEIGHTS	+5%
OUTPUT	+1%
USE/PERSON	SAME
RETAIL BEEF PRICES, LB.	\$2.32
CH. STEER PRICES, OMAHA	
AVERAGE, JAN. - JUNE	\$65.70
RANGE '80 (JAN. - JUNE)	\$63.07 TO \$67.44

FED CATTLE: CHOICE STEERS 900-1100 LBS., OMAHA



FACTORS: INADEQUATE FED CATTLE PRICES

SQUEEZE ON HOUSEHOLD BUDGETS

RECESSION: UNEMPLOYMENT

HEATING AND GAS COSTS

LOWER HIDE AND OFFAL VALUE

OVERWEIGHT CATTLE

DES AND DELAYED SELLING

MEAT COMPETITION

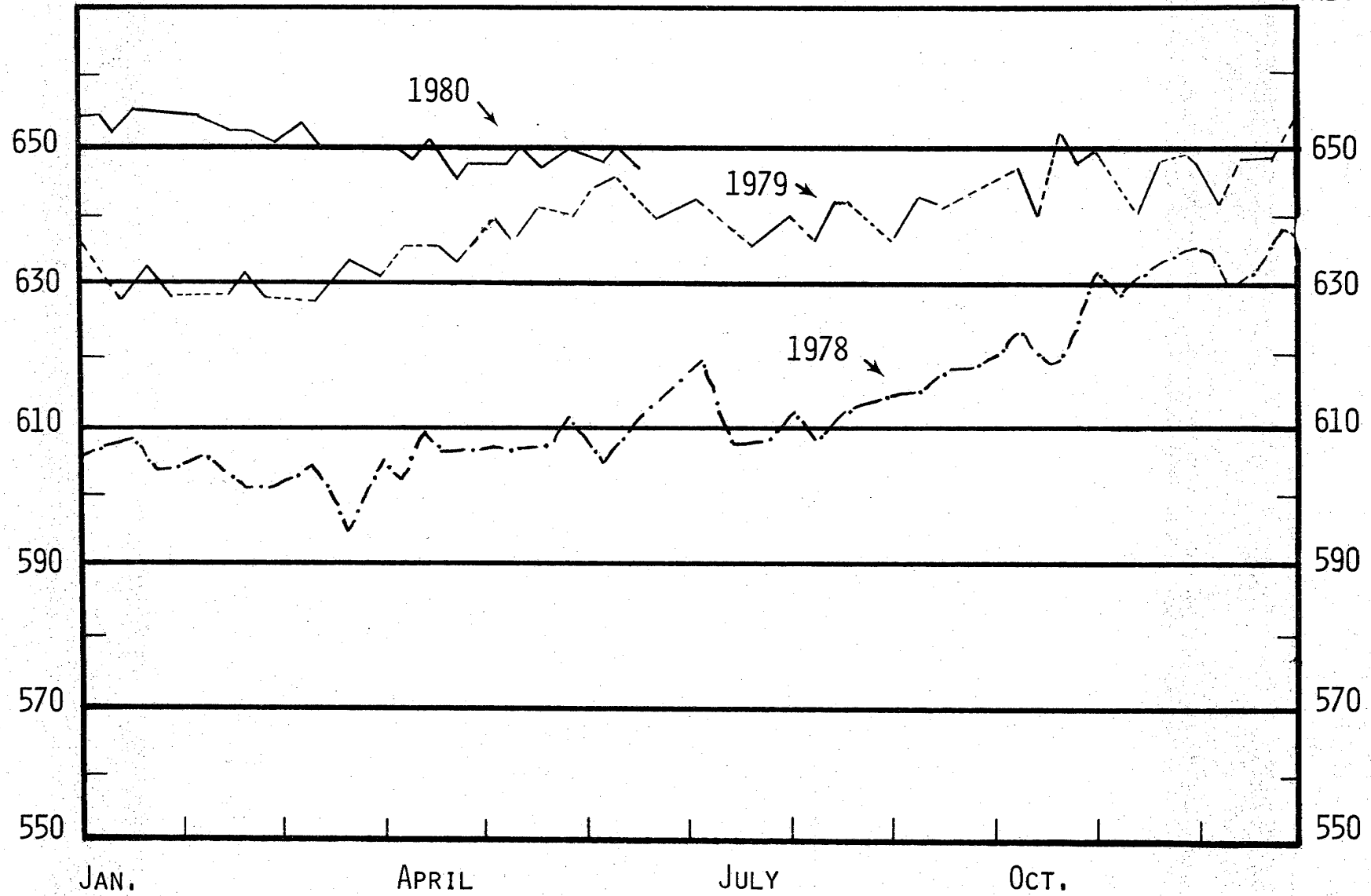
15% MORE PORK

6% MORE POULTRY

AVERAGE CARCASS WEIGHTS

POUNDS

POUNDS



DEPRESSED CATTLE PRICES: TWO MAJOR FACTORS

	<u>SECOND QUARTER</u>	<u>IMPACT/CWT.</u>
HIDE AND OFFAL VALUE		
1979	\$90	
1980	<u>\$30</u>	
1050 LB STEER, DIFFERENCE	\$60	-\$5.71
DISPOSABLE PERSONAL INCOME SPENT ON BEEF		
1979	2.51%	
1980	<u>2.26%</u>	
DIFFERENCE	-0.25%	
RELATIONSHIP TO D.P.I.	EACH \pm 0.1% = \$3.00/cwt	
APPLICATION	\$3.00 \times 0.25 =	<u>-\$7.50</u>
	TOTAL/CWT	-\$13.21

PER 1050 LB STEER \times \$13.21 = \$138.70

WHERE ARE WE?

CATTLE ON FEED 23 STATES

(JULY 1)

<u>KIND</u>	<u>PERCENT</u>
-------------	----------------

STEERS	-8
--------	----

HEIFERS	-5
---------	----

TOTAL	-7
-------	----

WEIGHT

UNDER 500 LBS.	-29
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500-699	-16
---------	-----

700-899	-6
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900-1099	-5
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OVER 1100	+1
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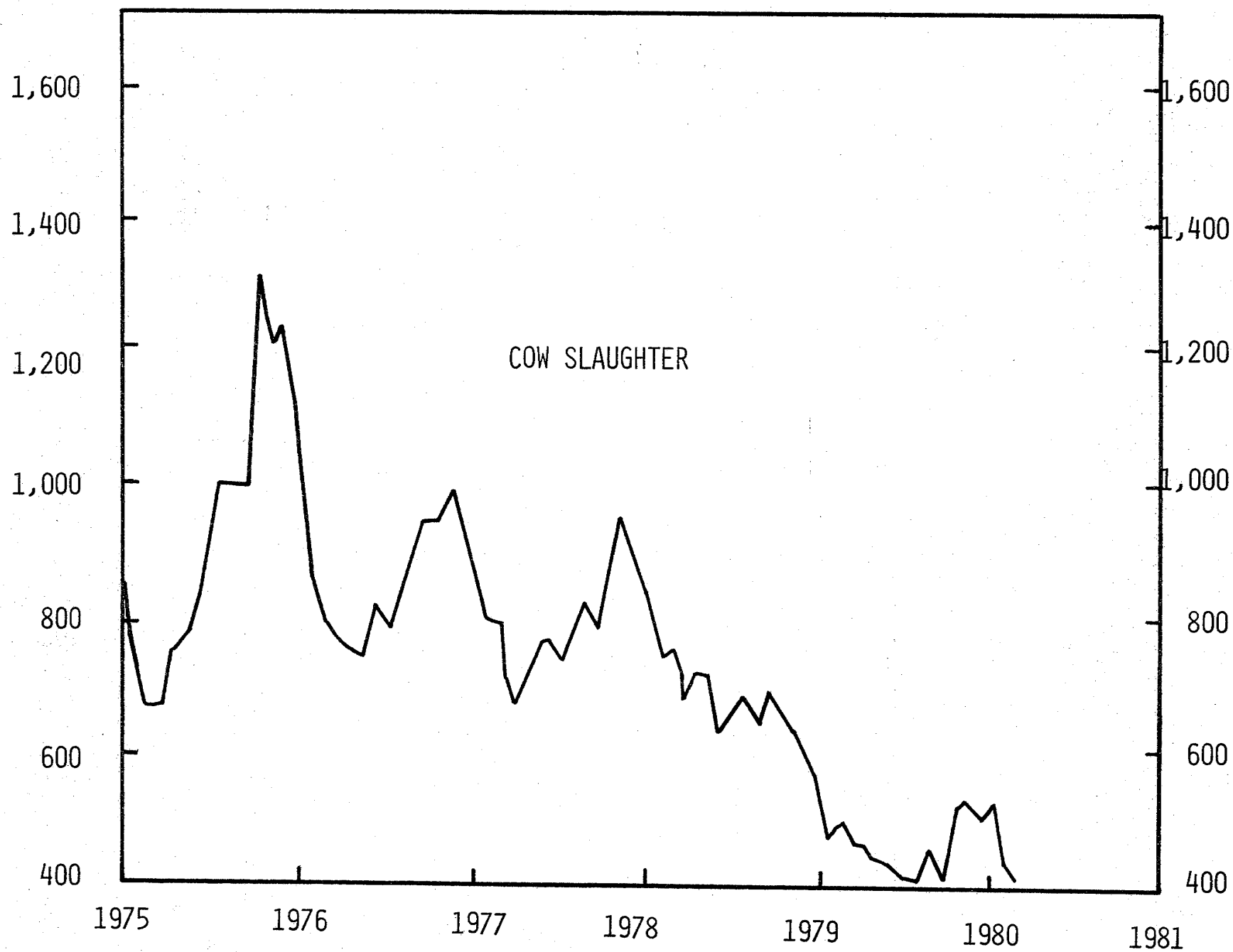
WHERE ARE WE?
(LAST HALF OF 1980)

	<u>QUARTER 1980/1979</u>	
	THIRD	FOURTH
SLAUGHTER, NO.	+2%	0
FED	-3	0
NONFEDS	+45	+5%
COWS	+8	+6
% NONFED	29	30
WEIGHTS	-5	-1
OUTPUT	-3	-1
RETAIL CHOICE BEEF	±\$2.45	

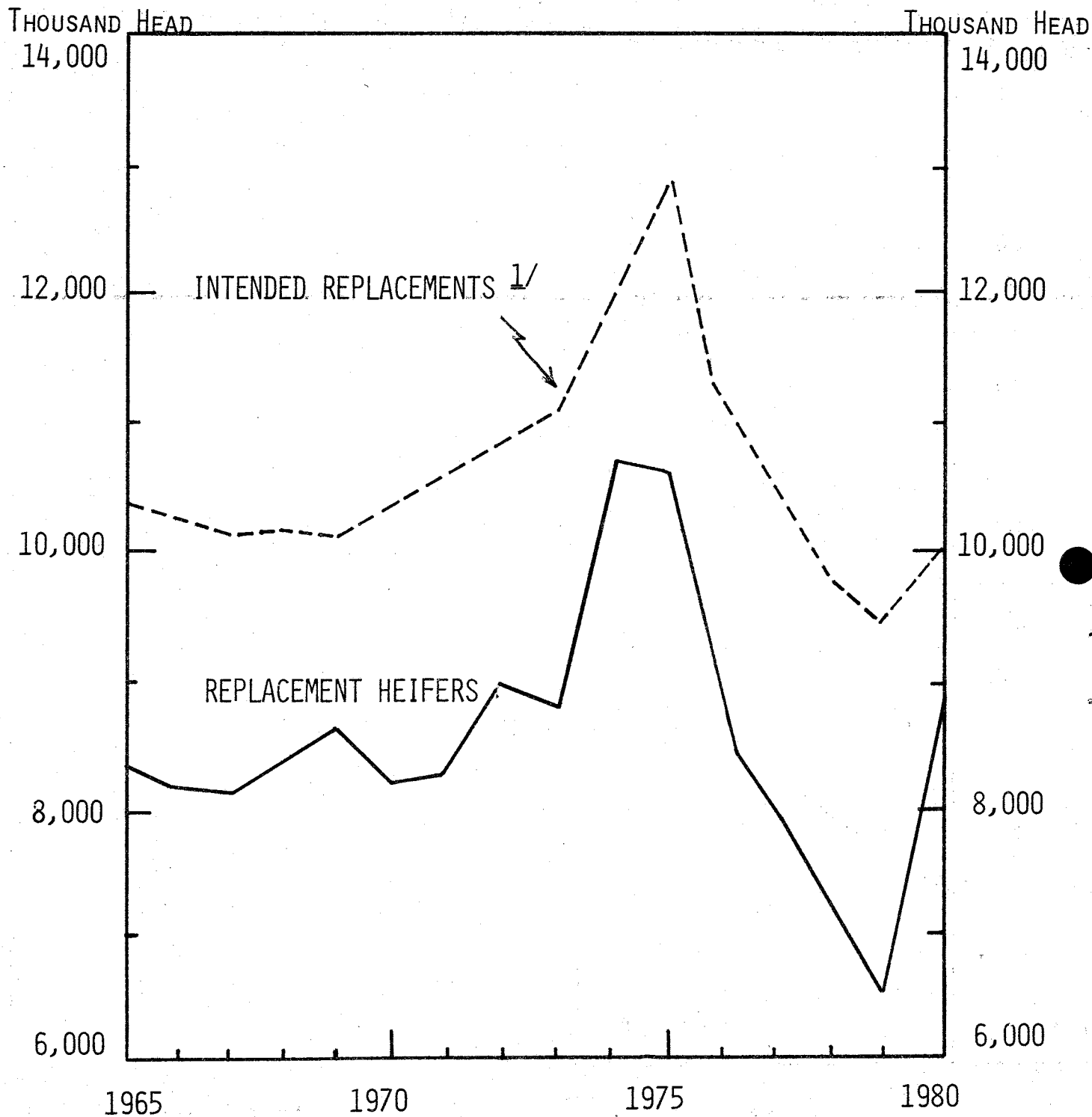
LESS HAMBURGER BEEF

THOU. HD.

THOU. HD.



REPLACEMENT HEIFERS

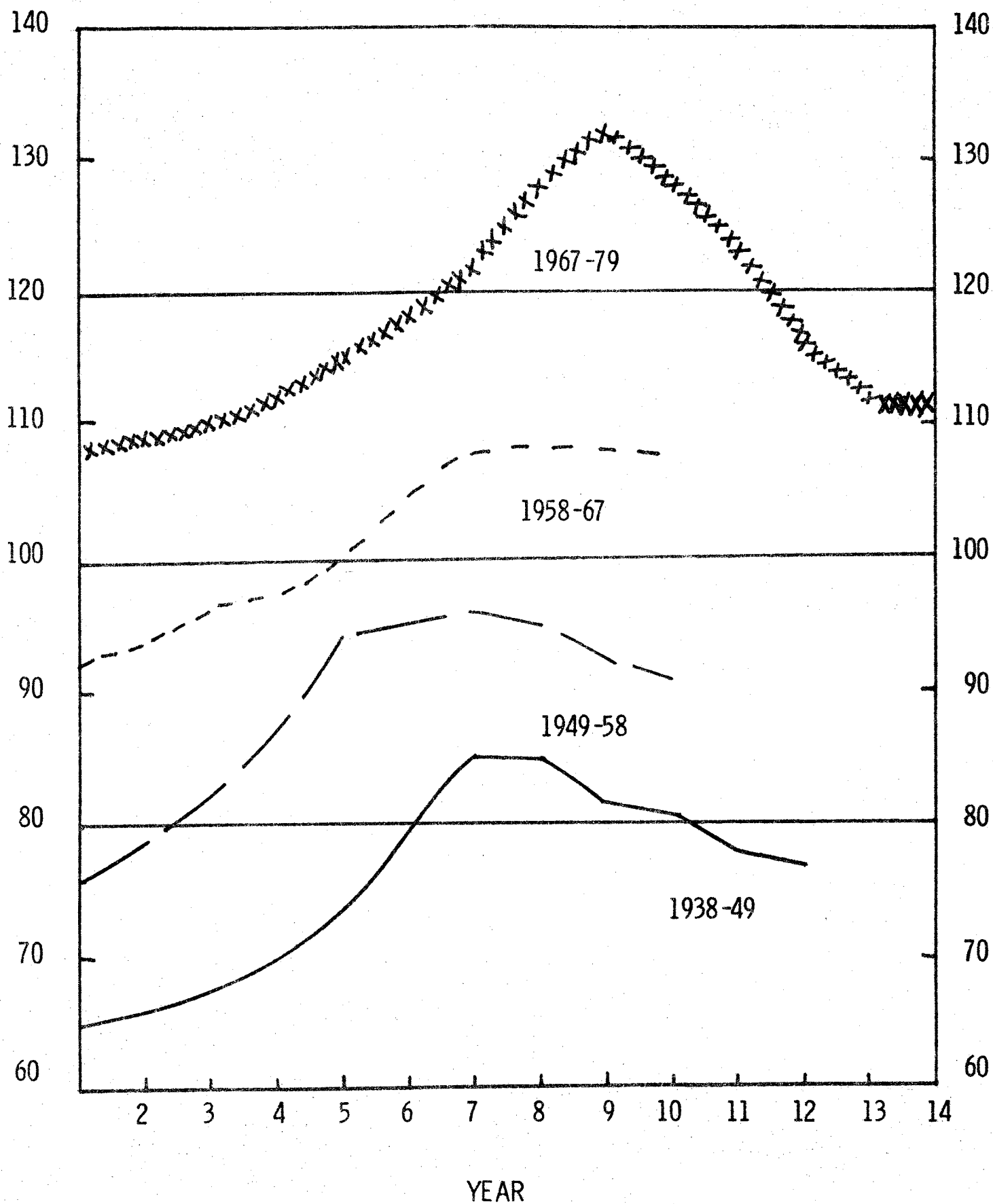


^{1/} REPLACEMENT HEIFERS 500 #'S AND OVER ON JANUARY 1.

MILLION HEAD

CATTLE ON FARMS BY CYCLES

MILLION HEAD



CATTLE HERD REBUILDING WILL BE SLOW

TIGHTER FORAGE SUPPLIES:

GRAIN VS. GRAZING

HIGHER FEED PRICES:

HIGHER FEEDLOT COSTS

DISCOURAGES HERD EXPANSION

DOWNWARD PRESSURE ON FEEDER PRICES

HIGHER INTEREST RATES:

CATTLEMANS LOSSES & RELUCTANCE TO LEND

AGE OF RANCHERS:

OLDER: MAY NOT REBUILD HERDS

YOUNGER: LACK FINANCING

RESULT: LONG "BULLISH" PERIOD

FACTORS IN 1981 FED CATTLE MARKET

- FED BEEF OUTPUT
- NONFEED BEEF OUTPUT
- FEED COSTS
- COMPETING MEAT SUPPLIES
- REAL INCOMES
- BY PRODUCT VALUES

PROSPECTS FOR 1981

	<u>1981/1980</u>
CATTLE INVENTORY (114.9 MIL.)	3
COW HERD (48.9 MIL.)	+2
SLAUGHTER (34.6 MIL.)	4 TO 6
FED	+5 TO 6
NONFEDS	-1 TO 2
WEIGHTS	-2 TO 3
BEEF OUTPUT	+2 TO 3
FIRST HALF	+2 TO 6
SECOND HALF	+4
IMPORTS	UP
BEEF/PERSON	+2
CARCASS	(105-108)
RETAIL WT.	(78-82)
RETAIL PRICES/LB.	\$2.60 TO 2.80

BEEF PRICE FLEXIBILITY

A 1% CHANGE IN PER CAPITA:

FED CATTLE PRICE CHANGE

(PERCENT)

1 - OUTPUT OF STEER AND HEIFER BEEF

± 1.75

2 - USE OF COW BEEF AND IMPORTS

± 0.60

3 - REAL DISPOSABLE INCOME

± 1.90

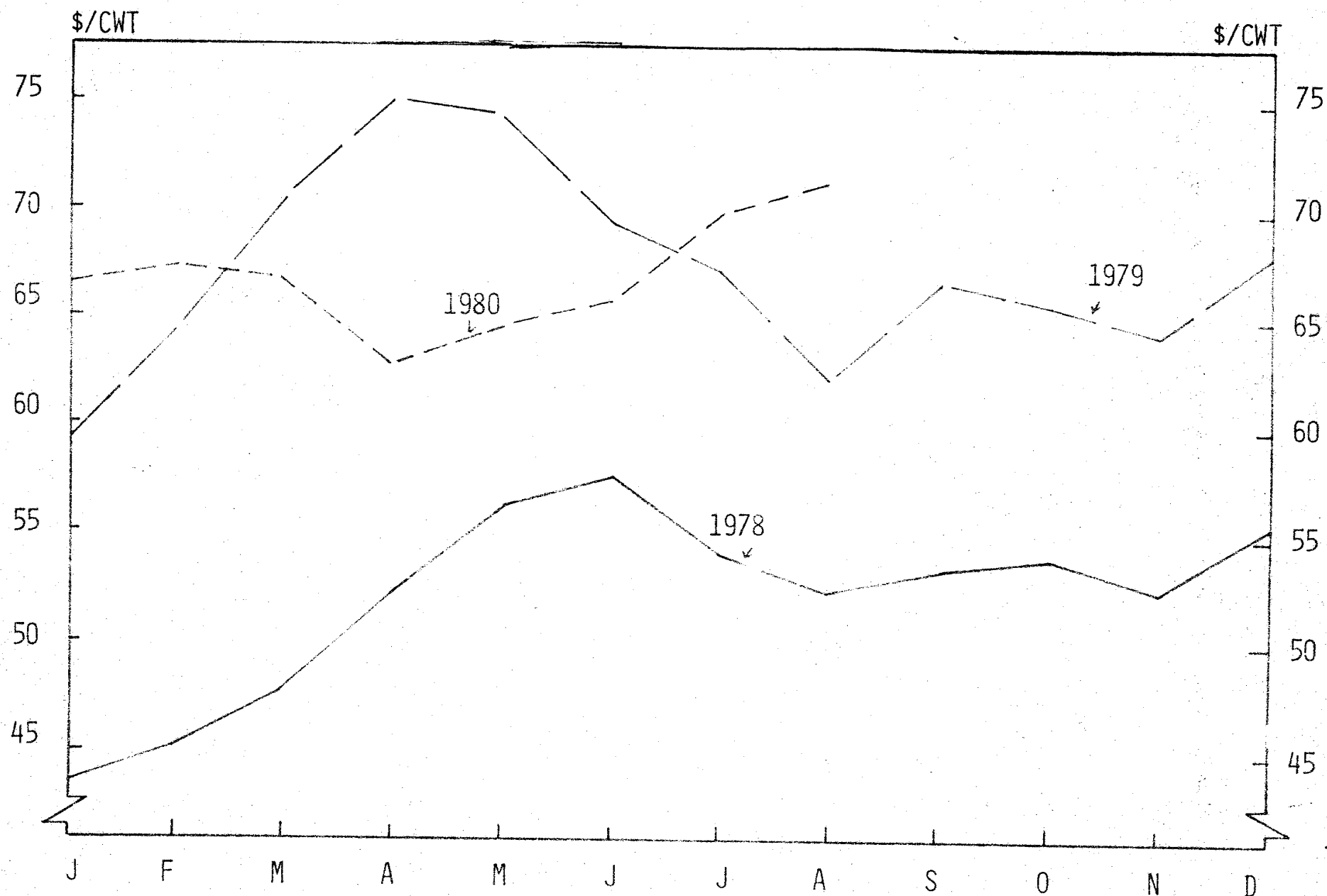
4 - PORK SUPPLY

± 0.2

5 - BROILER SUPPLY

± 0.2

FED CATTLE: CHOICE STEERS 900-1100 LBS., OMAHA



FEEDER CATTLE DEMAND

DERIVED FROM:

CONSUMER DEMAND FOR BEEF

SUPPLY & COST OF FEED

FACTORS:

CALF CROP

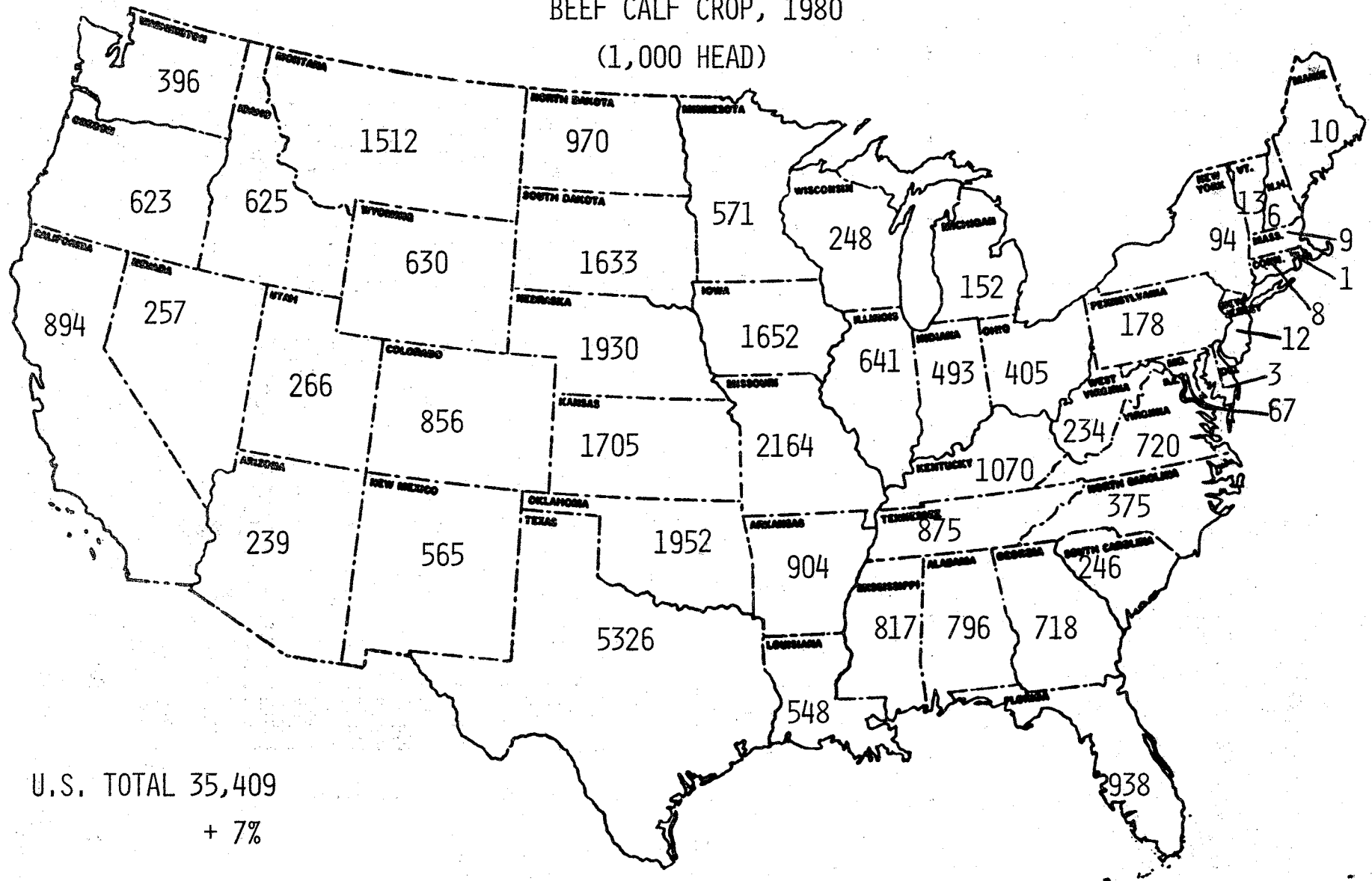
YEARLINGS

HERD REPLACEMENT

BEEF: CORN RATIO

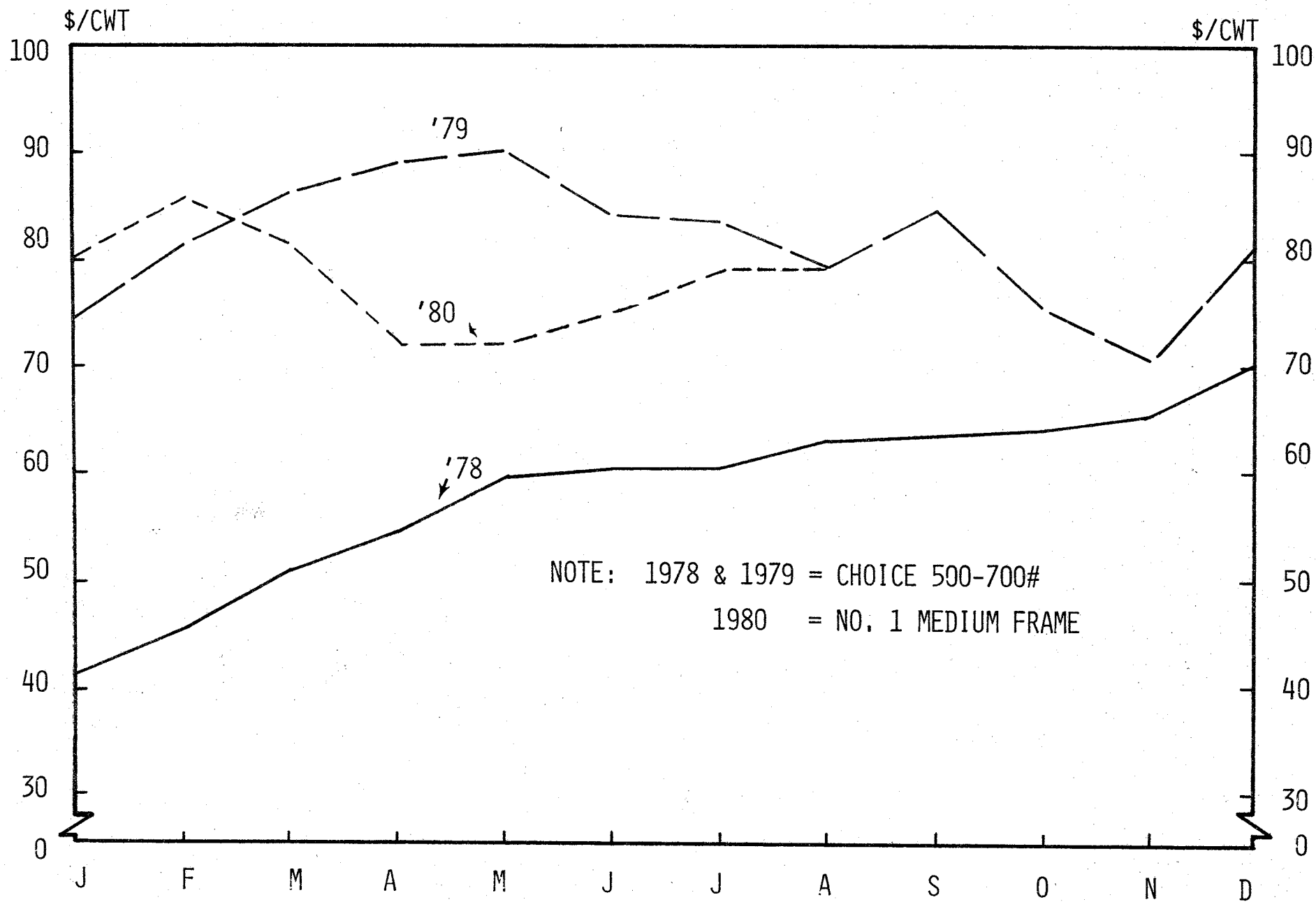
WEATHER: PASTURE & HAY

BEEF CALF CROP, 1980
(1,000 HEAD)

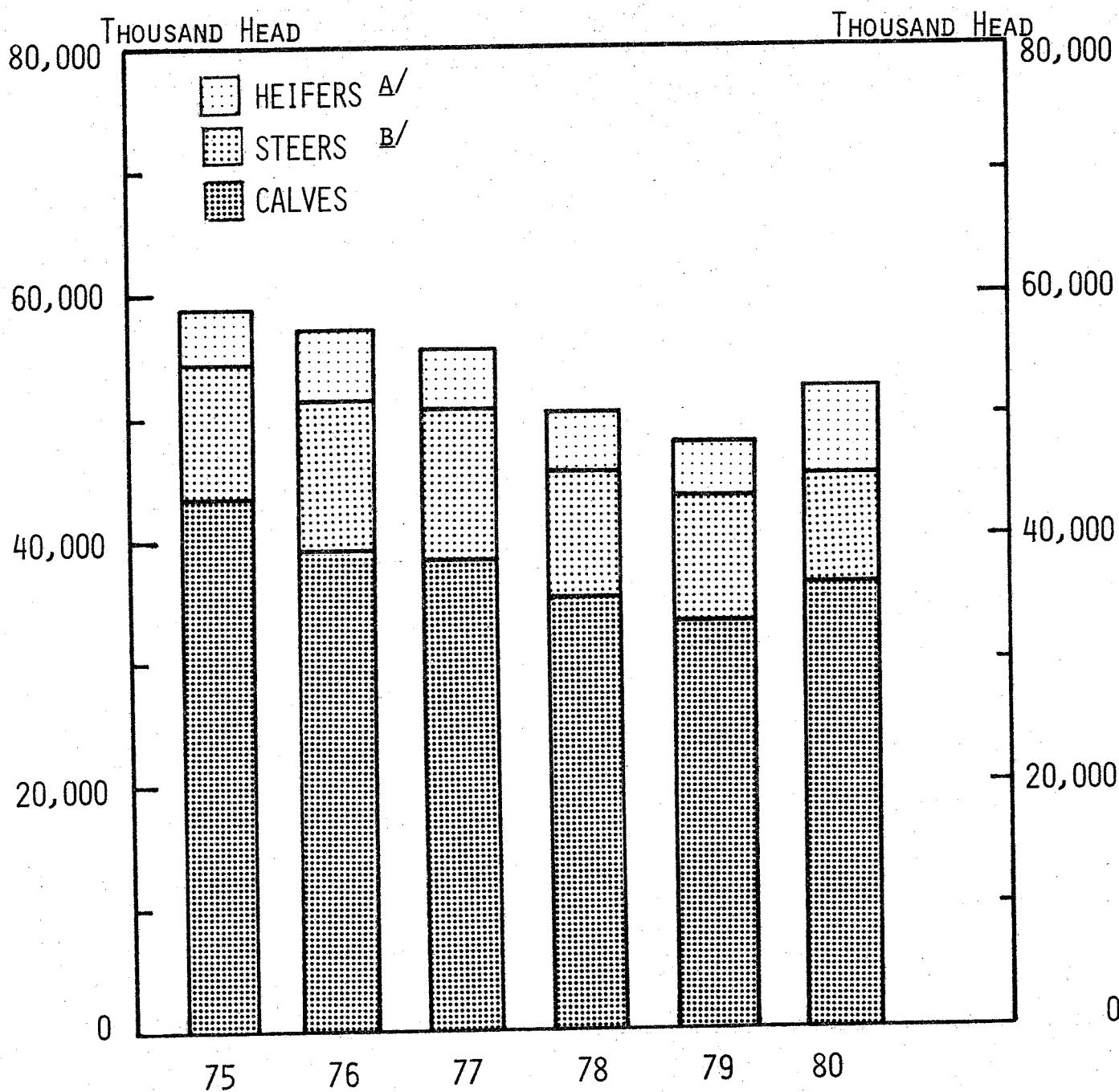


U.S. TOTAL 35,409
+ 7%

FEEDER STEERS: CHOICE 500-600 LBS., KY.



ESTIMATED JULY 1 YEARLING & CALF FEEDER SUPPLY



A/ NOT INCLUDING HEIFERS OVER 500 LBS. BEING KEPT FOR COW REPLACEMENT.

B/ OVER 500 LBS.

PROSPECTIVE 1980 FALL FEEDER CATTLE PRICES

KY - MED. NO. 1

(ADD TRANSPORTATION)

WEIGHTS

STEERS

HEIFERS

400 TO 500#

80-85

65-70

500 TO 600#

75-80

65-70

LAST YEAR WE SAID

500 - 600# STEERS

\$75-80

SEPT. - DEC., 1979

\$78.79 AVE.

BREAK EVEN PRICE FOR FEEDING CATTLE

	<u>COSTS PER HEAD</u>
1. CATTLE	_____
2. FEED	_____
3. DEATH LOSS (1% OF LINE 1)	_____
4. INTEREST	_____
5. MARKETING & MISC.	_____
6. SUBTOTAL	_____
7. LABOR	_____
8. BUILDINGS EQUIPMENT	_____
9. TOTAL	_____

	<u>BREAKEVEN</u>	
<u>COST FOR</u>	<u>COST PER HEAD</u>	<u>PRICE PER CWT. SOLD</u>
CATTLE AND FEED (LINE 1 & 2)	_____	_____
VARIABLE COSTS (LINE 6)	_____	_____
TOTAL COSTS (LINE 9)	_____	_____

PRICES FOR 650 LB. YEARLING STEERS TO COVER COSTS

CORN PRICE	CHOICE STEERS, \$ PER CWT.					
	55	60	65	70	75	80
\$ PER BU.	FEEDER PRICES \$/CWT.					
2.00	63	68	73	79	84	89
2.25	60	66	71	76	81	87
2.50	58	63	68	74	79	84
2.75	55	60	66	71	76	81
3.00	53	58	63	69	74	79
3.50	50	55	60	66	71	76

ESTIMATES FOR 650 LB. YEARLING FED 6 MONTHS TO 1100 LBS., INTEREST AT 13%.